

## Message Text

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70

ACTION EUR-12

INFO OCT-01 ISO-00 ACDA-05 COME-00 SAJ-01 TRSE-00 OMB-01

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SECDEF

INFO USMISSION NATO BRUSSELS

USCINCEUR

USNMR SHAPE

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LISBON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY THE HAGUE

C O N F I D E N T I A L LONDON 02821

BRUSSELS PASS USDEL MC

E.O. 11652: GDS

TAGS: MPOL. NATO, FR. UK

SUBJ: INDEPENDENT EUROPEAN PROGRAM GROUP

REF: (A) PARIS 4921; (B) ROME 1840

1. ON ISNARDS OBSERVATION, REFTEL A PARA 4, CONCERNING  
THE USE OF THE IEPG MECHANISM "TO DEVELOP ARMS INDUSTRIES"  
CITING TURKEY AS AN EXAMPLE, OUR READING IS THAT BRITISH  
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STRONGLY OPPOSE NOTION THAT "RATIONALIZATION/STANDARDIZA-

TION" SHOULD, IN THE NAME OF "COMPENSATION" OR THE NEED FOR PROPER COMPENSATORY MECHANISMS, ENCOURAGE THE DEVELOPMENT OF NEW, REPEAT, NEW INDUSTRIAL CAPACITIES IN COUNTRIES NOT ALREADY ENJOYING FAIRLY SOPHISTICATED DEFENSE INDUSTRIAL CAPABILITIES. TO KEEP THE DIALOGUE GOING IN EUROGROUP AND THE IEPG AND TO AT LEAST NOT CREATE UNDUE OPPOSITION FROM "DEFENSE INDUSTRIAL CAPABILITY HAVE-NOTS" (E.G. GREECE, TURKEY, PORTUGAL, ETC.), IT IS RECOGNIZED HERE THAT SOMEKIND OF A COMPENSATION MECHANISM MUST BE ESTABLISHED. HOWEVER, THE BRITISH, WE BELIEVE, WILL STRONGLY OPPOSE "AS A MATTER OF PRINCIPLE" AND AS A CONTRADICTION OF THE VERY PURPOSE AND OBJECTIVE OF THE EUROPEAN AIM TO SHED OVER-CAPACITY (TO MAKE DEFENSE INDUSTRY MORE EFFICIENT AND COMPETITIVE), DEVELOPMENT OF NEW CAPACITIES FOR THE EXCLUSIVE PURPOSE OF COMPENSATION. WE DETECT A STRONGLY HELD BRITISH VIEW THAT AN IMPORTANT ULTIMATE AIM OF RATIONALIZATION/STANDARDIZATION IS THE EMERGENCE OF A "SOUND EUROPEAN ARMAMENTS INDUSTRY" (WITH THE BRITISH ENJOYING A VERY SUBSTANTIAL ROLE, OF COURSE). THE BRITISH ACCEPT THE NEED FOR COMPENSATION BUT STRESS THAT IT SHOULD BE DONE THROUGH BROADLY BASED "EQUALIZING ARRANGEMENTS" INVOLVING ACCEPTANCE OF COMPROMISES. THEY BELIEVE THAT ALLIES POSSESSING POTENT DEFENSE INDUSTRIES WILL MAINTAIN A MUCH BROADER BASE OF TECHNOLOGICAL ACTIVITIES THAN OTHERS. THEY BELIEVE EMPHASIS SHOULD BE GIVEN TO STRENGTHENING THOSE AREAS AND BRANCHES OF EUROPEAN DEFENSE INDUSTRY WHERE TECHNOLOGY AND INDUSTRIAL STANDARDS OF PERFORMANCE ARE HIGH TO ENABLE BETTER EUROPEAN PERFORMANCE ON "TWO-WAY STREET" TRAFFIC.

2. UNDOUBTEDLY, THE EUROPEANS ARE GOING TO HAVE TO COME TO GRIPS WITH THE ISSUE OF INTRA-EUROPEAN OFFSET. IN DOING SO THE BRITISH WILL BE SEEKING FRENCH AND GERMAN (AND OTHER) SUPPORT TO KILL THE NOTION APPARENTLY EXPRESSED BY THE GREEKS AND TURKS THAT NO INTRA-EUROPEAN PROJECTS/PROGRAMS SHOULD TAKE PLACE "UNLESS EVERYONE IS OFFERED A SHARE OF EVERY PROJECT/PROGRAM".

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